MT LEGISLATIVE HISTORY

Chapter 256 19 77

Bill (H) 353 S_____ Original bill & hist. ___C

H. Committee on Taxation		S. Committee on Taxation	
Hearing Date(s) _____	___C	Hearing Date(s) Mar 21	✓C
_____	___C	Mar 22	✓C
_____	___C	_____	___C
_____	___C	_____	___C
Date Out Feb 25	✓C	Mar 22	✓C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

45th LEGISLATIVE SESSION

COMMITTEE ON TAXATION

HOUSE BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO ~~NOT~~ DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CON-CURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CO CURRED IN DATE
552	3/10	3/28	4/5						4/5
553	3/10	3/21	3/22				3/22		
583	3/3	3/17	3/17					3/17	
584	2/17	3/24	3/24				3/24		
586	2/10	3/12	3/12				3/12		
591	2/18	3/10	3/10				3/10		
595	3/5	3/18	3/22					3/22	
599	3/10	3/28	4/1					4/1	
616	2/21	3/22	3/22						3/22
617	2/21	3/22	3/22					3/22	
630	4/5	4/1	4/15					4/15	
635	4/2	4/4 4/5	4/4 4/5	WITHOUT	RECOMMENDATION		4/5	(In 2/18-Transf. to F & Gan	
636	2/19	3/11	3/11				3/11		
637	3/5	3/19	3/19				3/19		
689	4/6	4/13	4/15					4/15	
701	4/6	4/12	4/12					4/12	

(Use Separate Sheet for Senate, House Bills, and Resolutions)

H BILL NO. 553

INTRODUCED BY

BY REQUEST OF THE GOVERNOR

A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE EXPLORATION FOR NATURAL GAS BY EXEMPTING NEW GAS PRODUCTION CONSUMED IN MONTANA FROM THE NET PROCEEDS TAX FOR A 2-YEAR PERIOD AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Policy. It is the public policy of this state to promote a sufficient supply of natural gas to provide for the residents of this state and to lessen Montana's dependence on imported natural gas.

Section 2. Exemption from net proceeds tax. All natural gas produced in this state from wells drilled after December 31, 1976, and all natural gas produced in this state which is contracted for sale after December 31, 1976, from wells from which no gas was sold during the calendar year of 1976 will be exempt from the net proceeds tax imposed by Title 84, chapter 62, if the gas is consumed solely in Montana.

Section 3. Act temporary. This act is effective from January 1, 1977, until July 1, 1979.

-End-

EXHIBIT 553

STATE OF MONTANA

REQUEST NO. 427-77

FISCAL NOTE

Form BD-15

compliance with a written request received February 9, 19 77, there is hereby submitted a Fiscal Note House Bill 553 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.
ckground information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members the Legislature upon request.

ESCRIPTION

his bill encourages exploration for natural gas by exempting new gas production consumed n Montana from the net proceeds tax for a 2-year period and provides an effective date.

SSUMPTIONS

his bill will have no measurable fiscal impact. The exemption from tax applies only to hose wells that are new or those which are currently not paying any taxes. Wells which re now producing will continue to pay taxes as long as they continue to produce natural as.

ONG-RANGE EFFECTS

he long-range impact will occur when the state returns to current law on July 1, 1979. fter that date the gas produced by new wells which began producing between July 1, 1977 nd June 30, 1979 would become subject to taxation.

REPARED BY DEPARTMENT OF REVENUE

Richard L. Trenga for

BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 2-11-77

Mr. Allen said he too opposed SB211 and had some problems with HB722 as well. He said the industry would be happy to furnish people to assist with a study such as had been mentioned. Mr. Schaenen agreed there is a problem in the fractionalization of dormant mineral interests but, he said, this problem does not hold up exploration in very many cases. He questioned the constitutionality of taking a landowner's mineral interests away. He said this cannot be done without due process, and distributed Exh. #5, an opinion of the State of Michigan. He thought SB211 would be almost impossible to handle because of the administrative problems finding out if the minerals were settled or not.

Mr. Mockler wished to go on record as favoring HB722 both in its concept and its workability over SB211. He is opposed to SB211 for the reasons stated, though he does not really favor HB722 by itself.

The Chairman called for other proponents or opponents and following, permitted Rep. Hirsch to close. He said he couldn't rebut the mechanical problems that might exist in the bill but he said they did work on it and had what they thought were the proper mechanics. He said if there is still time they would do their best to do a better job with the bill as he felt there is need to clear up the problem. He said the industry can still get leases to explore for minerals but he said as time goes on the problem of establishing mineral rights gets worse as these rights get fractionalized even moreso. He felt there was a need to address the problem.

Chairman Mathers then stated there was a short time for questions from the committee. He also asked that Mr. Weinberg put the referred-to amendments into the bill so the committee can have a better understanding of their significance to the bill.

Following his instruction, the hearing on SB211 and HB722 was closed.

CONSIDERATION OF HOUSE BILL 553: Rep. Driscoll distributed Exh. #6, and said the bill would exempt one-half of net proceeds tax, and all the severance tax for the first 3 years of production from new gas wells 5,000 feet or more deep. He referred to differencein drilling costs in the state and said he believed this tax incentive would induce drilling in the state. The price of gas is expected to go up so the incentive should become even greater. He said the bill was introduced by the Governor's office to help solve the energy problems in the state.

Mr. Allen said the bill as originally written provided no incentive, however it had been amended to provide some changes that would help. He introduced Exh. #7 and said there will be new wells drilled and that there is potential that should be explored. He thought this legislation would show that Montana had a desire to do something to encourage more drilling and would be in the best interests of the state.

Chairman Mathers asked for other proponents of the bill and there being none, called for opponents. Mr. Lynch spoke next, saying counties are worried that such legislation is chopping away at the net proceeds. He said the next Legislature may exempt wells at 3 or perhaps even at 2,000 feet and the revenue loss has to come from somewhere, thus it would be the property owners who would pick up the lost revenue. He continued with his testimony by showing a chart using figures he obtained from the Dept. of Revenue, indicating production of natural gas has decreased in the state by only about 25% in the last 5 years, whereas the price has increased by approximately 900%. He asked then, what more incentive do you need for that kind of money for that same amount of gas. He didn't believe Montana is as bad as one of the witnesses stated, insofar as taxing is concerned, rather, he thoughtthe state was about average. He was only worred about net proceeds, as there are at present about 6 taxes on natural gas and he asked why pick on net proceeds which is so important to the counties.

Rep. Driscoll made his closing remarks at this point and had figures that differed with those of Mr. Lynch. He said most of the wells that are producing are at less than 5,000 feet, and he felt that though this was a small incentive, he thought it wise to establish it in order to have a priority for natural gas exploration.

Due to previous lengthytestimony on HB722, the Chairman was forced to conclude hearing on this bill.

CONSIDERATION OF HOUSE BILL 434: Due to press of time, this bill was not formally presented but Mr. Williams, from out of town, was invited to give his testimony. He stated his land was mostly sagebrush when he first purchasedit and undeveloped, with a land value at a bare minimum. Now, after sprinkler irrigation, the land has increased in value by almost 2000%. The land will now generate more taxes in the county and state, and if it weren't for the sprinkler irrigation system the land would still be sagebrush. He said he would support any legislation that would help decrease the taxes on such systems.

Mr. Williams was informed that there was a bill now in the House that eliminated taxes on the sprinkler systems and was awaiting action by that body.

Following this brief discussion, the meeting adjourned.

WILLIAM MATHERS CHAIRMAN

ROLL CALL

SENATE TAXATION COMMITTEE

45th LEGISLATIVE SESSION - - 1977 Date 3/21/77

NAME	PRESENT	ABSENT	EXCUSED
SEN. WATT	✓		
SEN. BROWN	excused		
SEN. GOODOVER	✓		
SEN. HEALY	✓		
SEN. MANNING	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	excused		
SEN. TOWE	✓		
SEN. TURNAGE	excused		
CHAIRMAN MATHERS	✓		

Each day attach to minutes.

HOUSE

SENATE TAXATION COMMITTEE

BILL 434, 553, 722 VISITORS' REGISTER DATE 3/21/77

NAME	REPRESENTING	BILL #	(check one) SUPPORT	OPPOSE
Dean Zinnecker	Mt. Assn of Cos.	434 553	—	—
Lawrence Wambsganss	Legis. Council	722		
Lee Heman	Legislative Dept 52	722		
STEPHEN M. WILLIAMS	ANACONDA CO.	722		
Lloyd Cripped	" "	"		—
Gene Phillips	Pacific Power & Light and ASARCO	"		X
Gorham E. Swanberg	Mt. R.R. Assoc.	722		X
Bob Hannon	Mont Power - Western Energy	722		X
Dave Schamm	Montana Pet. Assoc.	722		X
Don Allen	Montana Petroleum Assoc.	722		X
"	"	553	X	
Jim Mockler	Mont. Coal Council	722		
ELMER GABEL		722		
MRS. ELMER GABEL		722		
WARD SHANAHAN	DRYGIC BROS INC	722	AMEND	
Mons Teigen	Mt. Stockgrowers & Woolgrowers	434	X	
Tom Williams	RANCHER	434	X	

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

GAS TAX AND ROYALTY FUNDS

CONTROLLED BY STATE AND LOCAL GOVERNMENTS

FISCAL YEAR 1976

State Resource Indemnity Trust Tax	$ 82,754.05
State Natural Gas Severance Tax	$ 446,924.78
State and Local Net Proceeds Tax*	$1,782,460.95
State Conservation Tax	$ 21,220.00
Royalties Paid the State	$ 195,176.00
	$2,528,535.78

* Assuming the average mill levy affecting gas producers is 150 mills.

EFFECT OF HB 553

Assuming that any new well drilled would be no more productive than the average existing gas well. The average tax break per new (or capped) well would be $1,165.00 per year for two years or $2,330.00 total. This would equal a 4.3 cent per mcf break (based on next page's average well assumption) and the assumption that $1,782,460.95 was collected by state and local governments in net proceeds taxes.

In order to compare, as accurately as possible, tax costs per barrel among eleven crude oil producing states, the average value of crude oil in each state was determined, and all mineral tax laws of that state were applied to that value. Thus we have the following comparison:

(1971 Production—1972 Taxes)

	Tax Per Barrel	Ratio of Tax to Value
ARIZONA	$.2335	7.63%
COLORADO	$.1610	4.85%
KANSAS	$.1412	4.27%
MONTANA	$.2747	9.18%
NEBRASKA	$.1056	3.11%
NEW MEXICO	$.2031	6.15%
NORTH DAKOTA	$.1573	5.00%
OKLAHOMA	$.2380	7.00%
SOUTH DAKOTA	none	none
UTAH	$.1584	5.19%
WYOMING	$.2025	6.54%

The tax costs per barrel demonstrated above included only those taxes applied directly to the value of the production and do not include such taxes as income taxes, production equipment taxes, sales taxes, etc.

ments from a city engineer. The committee agreed to do this and no further action was taken on the bill.

They then discussed HB553, also heard previously. They stated there were no wells of this depth in the state at this time but felt the legislation might encourage further drilling.

Sen. Towe Moved HB553 Be Not Concurred In.

DISPOSITION: As A Substitute Motion Sen Goodover Moved HB553 Be Concurred In. A roll call vote was taken which carried by a 5-4 vote.

The meeting then adjourned.

WILLIAM MATHERS CHAIRMAN

ROLL CALL

SENATE TAXATION COMMITTEE

45th LEGISLATIVE SESSION - - 1977 Date 3/22/77

NAME	PRESENT	ABSENT	EXCUSED
SEN. WATT	✓		
SEN. BROWN	✓		
SEN. GOODOVER	✓		
SEN. HEALY	✓		
SEN. MANNING	✓		
SEN. NORMAN	✓		
SEN. ROSKIE			
SEN. TOWE	✓		
SEN. TURNAGE	✓		
CHAIRMAN MATHERS	✓		

Each day attach to minutes.

SENATE COMMITTEE TAXATION

Date 3/22 21. Bill No. 553 Time 9:25

NAME	YES	NO
SEN. WATT		X
SEN. BROWN	X	
SEN. GOODOVER	X	
SEN. HEALY.	X	
SEN. MANNING	X	
SEN. NORMAN		X
SEN. ROSKIE		
SEN. TOWE		X
SEN. TURNAGE		X
CHAIRMAN MATHERS	X	
	5	4

Nita Fjeseth
Secretary

William L. Mathers
Chairman

Motion: Be Conc. Lw. Carried

(include enough information on motion--put with yellow copy of committee report.)

March 22 19 77

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 553

Respectfully report as follows: That HOUSE Bill No. 553

BE CONCURRED IN

~~DO PASS~~

WILLIAM MATHERS Chairman.

STATE PUB. CO.
Helena, Mont.

15A

TAXATION COMMITTEE

45TH Legislature

Bill No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
HB 516	Amend 60-145 to provide for crediting interest & income from oil producers license tax to the board of oil & gas conservation acct; provide immediate effective date.	2/19 fr. Appr.	Underdal	2/23	DO PASS	2/23
HB 553	To encourage natural gas exploration by exempting production consumed in Montana from net proceeds tax for 2 years; effective date.	2/24	Driscoll	No hearing	DO NOT PASS	2/25

TAXATION COMMITTEE
45TH LEGISLATURE

This was an executive meeting called to order by Chairman Rep. Herb Huennekens on February 25, 1977, at 8:30 a.m. in room 434, Capitol Building, Helena, MT, Representatives Harrington and Peter Gilligan, Jr. were absent. All other members were present.

HOUSE BILL 681 - Representative Steve Waldron moved that HOUSE BILL 681 DO PASS. After further discussion, Representative Robert Sivertsen made a substitute motion recommending that HOUSE BILL 681 DO NOT PASS. The Do Not Pass motion carried with Representatives Steve Waldron, Jack Uhde, Herb Huennekens voting No, Rep. Vincent abstaining, and the other 11 members voting for the Do Not Pass motion.

HOUSE BILL 553 - Rep. John Vincent moved that HOUSE BILL 553 DO NOT PASS. Rep. Edward Lien made a substitute motion of DO PASS HOUSE BILL 553. The Do Pass motion failed with a 5 to 10 vote - Reps. Gilligan and Dan Harrington were absent; Reps. Ernie Dassinger, Mel Underdal, W. Jay Fabrega, Edward Lien voted for the Do Pass motion; all other members voted No on the Do Pass motion - so House Bill 553 is recommended DO NOT PASS by the committee.

Meeting adjourned at 8:55 a.m.

Herb Huennekens

REP. HERB HUENNEKENS, CHAIRMAN

HOUSE BILL NO. 553

INTRODUCED BY DRISCOLL, MELOY

BY REQUEST OF THE GOVERNOR

A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE EXPLORATION FOR NATURAL GAS BY EXEMPTING NEW GAS PRODUCTION CONSUMED IN MONTANA FROM ONE-HALF OF THE NET PROCEEDS TAX ~~FOR--A-2-YEAR-PERIOD-AND-PROVIDING-AN-EFFECTIVE-DATE~~ AND ALL THE SEVERANCE TAX FOR A 3-YEAR PERIOD; AMENDING SECTIONS 84-2202, 84-2207, ~~84-6202, AND~~ 84-6204, AND 84-6208, R.C.M. 1947."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Policy. It is the public policy of this state to promote a sufficient supply of natural gas to provide for the residents of this state and to lessen Montana's dependence on imported natural gas.

~~Section-2.--Exemption---from---net--proceeds--tax. All natural-gas-produced-in-this-state-from-wells-drilled--after December--31,--1976,--and--all--natural-gas-produced-in-this state-which-is-contracted-for-sale-after-December-31,--1976, from--wells--from--which-no-gas-was-sold-during-the-calendar year-of-1976-will--be--exempt--from--the--net--proceeds--tax imposed--by--title--84,--chapter--62,-if-the-gas-is-consumed solely-in-Montana.~~

~~Section-3.--Act-temporary. This-act-is--effective--from January-1,-1977,-until-July-1,-1979.~~

SECTION 2. THERE IS A NEW R.C.M. SECTION THAT READS AS FOLLOWS:

(1) Exemption from net proceeds and severance tax. Natural gas produced from a well 5000 feet deep or deeper on which drilling was commenced after December 31, 1976, but before December 31, 1980, is exempt from one-half the net proceeds tax imposed by chapter 62, Title 84 and all of the severance tax imposed by 84-2202 for 3 years if the gas produced from the well is

(a) placed into a natural gas distribution system for delivery to consumers after diligent completion of the well, and

(b) distributed by a natural gas distribution system serving only natural gas consumers A MAJORITY OF WHICH ARE within Montana, or at least ~~1000~~ 10,000 natural gas consumers within Montana. The 3 year exemption provided by this section shall begin when natural gas from a qualifying well is first placed into a natural gas distribution system.

(2) Notwithstanding the provisions of subsection (1), all reporting requirements under the net proceeds and severance taxes remain in effect.

SECTION 3. SECTION 84-2202, R.C.M. 1947, IS AMENDED TO READ AS FOLLOWS:

REFERENCE BILL

"84-2202. Oil or gas producers' severance tax -- amount -- exceptions. Every person engaging in or carrying on the business of producing, within this state, petroleum, or other mineral or crude oil, or natural gas or engaging in or carrying on the business of owning, controlling, managing, leasing or operating within this state any well or wells from which any merchantable or marketable petroleum or other mineral or crude oil or natural gas is extracted or produced, sufficient in quantity to justify the marketing of the same, must, except as provided in [section 2] of this act, each year when engaged in or carrying on any such business in this state, pay to the state department of revenue, for the exclusive use and benefit of the state of Montana, a severance tax, computed at the following rates:

(a) Two and one-tenth per cent ~~(2.1%)~~ of the total gross value of that portion of all the petroleum and other mineral or crude oil produced by such person from each lease or unit in the calendar quarter not in excess of an amount obtained by multiplying the number of producing wells on such lease or unit by four hundred fifty ~~(450)~~ barrels.

(b) Two and sixty-five hundredths per cent ~~(2.65%)~~ of the total gross value of that portion of all the production of such person from each lease or unit in each calendar quarter in excess of ~~four--hundred--fifty--(450)~~ barrels multiplied by the number of producing wells on such lease or

unit; but in determining the amount of such tax there shall be excluded from consideration all petroleum, or other crude or mineral oil produced and used by such person during such year in connection with his operations in prospecting for, developing and producing such petroleum, crude or mineral oil; provided, however, that nothing in this act shall be construed as requiring laborers or employees, hired or employed by any person, to drill any oil well, or to work in or about any oil well, or prospect or explore for, or do any work for the purpose of developing any petroleum or other mineral or crude oil to pay such severance tax, nor shall any work be done, or the drilling of any well or wells, for the purpose of prospecting or exploring for petroleum or other mineral or crude oils, or for the purpose of developing same, be deemed to be engaging in or carrying on of any such business; provided, further, that in the doing of any such work, or in the drilling of any oil well, or in such prospecting, exploring or development work, any merchantable or marketable petroleum or other mineral or crude oil in excess of the quantity required by such person for carrying on such operation shall be produced sufficient in quantity to justify the marketing of the same, then such work, drilling, prospecting, exploring or development work shall be deemed to be the engaging in and carrying on of such business within this state within the meaning of this

section.

(c) Two and sixty-five hundredths percent ~~(2.65%)~~ of the total gross value of natural gas produced from each lease or unit, but in determining the amount of such tax there shall be excluded from consideration all gas produced and used by such person during such year in connection with his operations in prospecting for, developing and producing such gas, or petroleum, crude or mineral oil; and there shall also be excluded from consideration all gas recycled or reinjected into the ground.

(d) Every person required to pay such tax hereunder shall pay the same in full for his own account and for the account of each of the other owner or owners of the gross proceeds in value or in kind of all the marketable petroleum or other mineral or crude oil or natural gas extracted and produced, including owner or owners of working interest, royalty interest, overriding royalty interest, carried working interest, net proceeds interest, production payments and all other interest or interests owned or carved out of the total gross proceeds in value or in kind of such extracted marketable petroleum or other mineral or crude oil or natural gas, except that any of the aforesaid interests that are owned by the federal, state, county or municipal governments shall be exempt from taxation under this chapter. Unless otherwise provided in a contract or lease,

the pro rata share of any royalty owner or owners will be deducted from any settlements under said lease or leases or division of proceeds orders or other contracts."

SECTION 4. SECTION 84-2207, R.C.M. 1947, IS AMENDED TO READ AS FOLLOWS:

"84-2207. Statement to accompany payment -- records -- collection of tax -- refunds. (1) Each and every person must, within ~~sixty (60)~~ days after the end of each following quarter, make out on forms prescribed by the department of revenue a statement showing the total number of barrels of merchantable or marketable petroleum, and other mineral or crude oil or cubic feet of natural gas produced or extracted by such person in the state of Montana during each month of such quarter and during the whole quarter, the average value thereof during each month and the total value thereof for the whole quarter, together with the total amount due to the state as severance taxes for such quarter; and must~~, except as provided in [section 2] of this act,~~ within such ~~sixty (60)~~ days deliver such statement and, EXCEPT AS PROVIDED IN [SECTION 2] OF THIS ACT, pay to the department of revenue the amount of the taxes shown by such statement to be due to the state of Montana for the quarter for which such statement is made. Such statement must be signed and verified by the oath of the individual or individuals, or by the president, vice-president, treasurer, assistant

HB 553

treasurer, or managing agent in this state of the association, corporation, joint-stock company or syndicate making the same. Any such person engaged in carrying on such business at more than one place in this state, or owning, leasing, controlling, or operating more than one oil or gas well in this state, may include all thereof in one statement. The department of revenue shall receive and file all such statements and collect and receive from such person making and filing a statement the amount of tax payable by such person, if any, as the same shall appear from the face of the statement.

(2) It shall be the duty of the department of revenue to examine each of such statements and compute the taxes thereon, and the amount so computed by the department of revenue shall be the taxes imposed, assessed against and payable by the taxpayer making the statement for the quarter for which the statement is filed. If the tax found to be due shall be greater than the amount paid, the excess shall be paid by the taxpayer to the department of revenue within ~~ten--(10)~~ days after written notice of the amount of the deficiency shall be mailed by the department of revenue to such taxpayer. Provided, that if the tax imposed shall be less than the amount paid, the difference must be applied as a credit against tax liability for subsequent quarters, or refunded if there is no subsequent tax liability."

~~Section-5.--Section-84-6202,-R.C.M.-1947,-is-amended-to read-as-follows:~~

~~"84-6202.--Statement--of--yield,--penalty,-extension-of time.---Every--person--engaged--in--mining--upon--any---mine whatsoever-containing-natural-gas,-petroleum,-or-other-crude or--mineral--oil--must,-except-as-provided-in-(section-2)-of this-act,~~ on-or-before-the-thirty-first-day-of-March-in-each year-make-out-and-deliver-to-the-state-department-of-revenue a--statement--of--the--gross--yield--of--such--natural--gas, petroleum,--or--other--crude--or--mineral-oil-from-each-mine owned-or-worked-by-such-person--during--the--next--preceding calendar--year,--and-the-value-thereof.-Such-statement-shall be-in-the-form-prescribed-by-the-state-department-of-revenue and-must-be-verified-by-the--oath--of--such--person--or--the manager,--superintendent,-agent,-president-or-vice-president of--such--corporation,--association--or--partnership.---Such statement-shall-show-the-following:

~~1.--The--name--and-address-of-the-operator-of-the-mine, together-with-a-list-in-duplicate-of-the-names-and-addresses of-any-and--all--persons--owning--or--claiming--any--royalty interest-in-the-mineral-product-of-such-mine-or-the-proceeds derived--from--the--sale--thereof,-and-the-amount-or-amounts paid-or-yielded-as-royalty-to-each-of--such--persons--during the-period-covered-by-the-statement.~~

~~2.--The-description-and-location-of-the-mine.~~

~~3.--The number of cubic feet of natural gas, barrels of petroleum, or other crude or mineral oil extracted or produced from the mine during the period covered by the statement.~~

~~4.--The gross yield or value in dollars and cents.~~

~~5.--Actual cost of extracting same from mine.~~

~~6.--Cost of construction, repairs and betterments of mines.~~

~~7.--Actual cost of fire insurance and workmen's compensation insurance.~~

~~If any person shall fail, neglect or refuse to file the statement required by this section within the time required, or within any extended period of time allowed, the state department of revenue when transmitting the net proceeds valuations to the counties shall inform the county assessor of such failure, neglect or refusal and the county assessor in addition to the net proceeds tax, if any, shall assess a penalty of 2/3 of 1% of such tax for each calendar month or fraction thereof that the required statement is not filed, deducting therefrom any moneys collected by the state department of revenue required by this section. The state department of revenue shall assess a penalty of $25 for each calendar month or fraction thereof, not exceeding four months, that the required statement is not filed, to be collected by the state department of revenue and deposited to the credit of the general fund of the state of Montana.~~

~~The state department of revenue shall upon a showing of reasonable cause, grant an extension of time for filing the statement required by this section.~~

~~This penalty shall be in addition to penalties provided in section 84-6209.~~"

SECTION 5. SECTION 84-6204, R.C.M. 1947, IS AMENDED TO READ AS FOLLOWS:

"84-6204. Deduction of drilling costs and capital expenditures. The state department of revenue in computing the deductions allowable for cost of drilling wells completed during the period and for other capital expenditures shall allow ~~ten per cent (10%)~~ of such cost each year for a period of ~~ten (10)~~ years, beginning after the 3 year exemption period allowed in [section 2] of this act for qualified wells; provided, however, the operator or producer may elect to amortize the cost over a period of ~~two (2)~~ years if the well is less than ~~three thousand (3,000)~~ feet deep.

The department shall also compute and allow deductions for any capital expenditures made during the year 1953, where the same have not been previously allowed in computing such net proceeds under the laws of the state of Montana."

SECTION 6. SECTION 84-6208, R.C.M. 1947, IS AMENDED TO READ AS FOLLOWS:

"84-6208. County assessors to compute taxes. Immediately after the county board of commissioners has fixed tax levies on the second Monday in August, the county assessor shall compute the taxes on such net proceeds, except as provided in [section 2] of this act, and royalty assessments, and shall deliver the book to the county treasurer on or before the fifteenth day of September. The county treasurer shall proceed to give full notice thereof to such operator and to collect the same in manner provided by law.

The operator or producer shall be liable for the payment of said taxes and same shall be payable by and shall be collected from such operators in the same manner and under the same penalties as provided for the collection of taxes upon net proceeds of mines; provided, however, that the operator may, at his option, withhold from the proceeds of royalty interest, either in kind or in money, an estimated amount of the tax to be paid by him upon such royalty or royalty interest, after such withholding any deviation between the estimated tax and the actual tax may be accounted for by adjusting subsequent withholdings from the proceeds of royalty interests."

SECTION 7. SEVERABILITY. IF A PART OF THIS ACT IS INVALID, ALL VALID PARTS THAT ARE SEVERABLE FROM THE INVALID PART REMAIN IN EFFECT. IF A PART OF THIS ACT IS INVALID IN

ONE OR MORE OF ITS APPLICATIONS, THE PART REMAINS IN EFFECT IN ALL VALID APPLICATIONS THAT ARE SEVERABLE FROM THE INVALID APPLICATIONS.

-End-